

# NEW ZEALAND ECONOMICS

## ANZ MONTHLY INFLATION GAUGE

December 2016

### CONTACT

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### SUMMARY

- Prices from the Gauge rose 0.1% in November<sup>1</sup> and are up 2.1% y/y.
- Rents made the largest contribution, while our ex-housing gauge was flat.
- We suspect inflation is rising off a low base and is broadening beyond just housing, but our gauge suggests this is only occurring at a gradual pace.

### LAZY SUNDAY

**Prices from the Gauge lifted 0.1% in November.** That is on the soft-side of increases for this time of year and saw the annual increase ease back to 2.1% (from 2.3%). Rents again made the largest upward contribution, rising 0.3%, with a further gain from the 'purchase of housing' group rounding out another month where price increases were dominated by housing. There were also positive contributions from dwelling insurance (and they'll be more to come here), while the volatile accommodation services component fell.

**Last month we noted tentative signs that price increases were starting to broaden (off a low base of course).** We still hold this view, although the details of the Gauge this month point to that only occurring at a tepid pace.

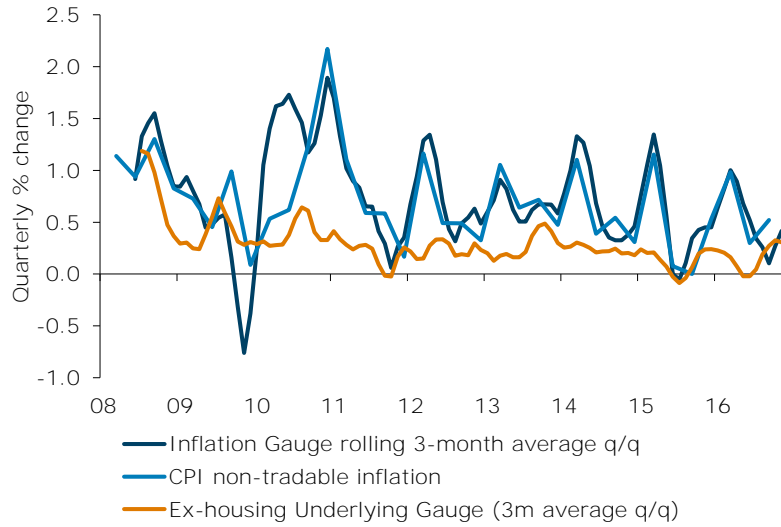
- The seasonally adjusted series also rose only 0.1% in the month, which is the smallest gain since January (excluding the fall induced by sharp drop in motor vehicle levies in July). That said, on a 3m/3m basis, it is still running at a 0.6% pace.
- The Underlying Ex-housing Gauge was unchanged. **That's** hardly a strong signal, although again on a 3m/3m basis, there is an upward trend evident, with the gain holding at a three year high in November.
- In terms of their relative contributions, housing elements continue to be top of the list. Rents and purchase of housing took the top two spots in the month. However, there are price pressures emerging in the likes of health and miscellaneous goods and services (dwelling insurance).
- Of the 36 main series feeding into the 8 key groups, 27 were unchanged, while 6 were up and 3 were down.

**On a three-month average basis, annual inflation from the Gauge was unchanged at 2.2%.** That is of course still low. And while we do believe that with the economy increasingly butting up against capacity pressures, price tension will increase, the message from our Gauge – at least to date – is that the process looks set to occur gradually.

<sup>1</sup> Our **Monthly Inflation Gauge** provides a **directional signal of broad trends and movements in non-tradable CPI inflation** produced by Statistics NZ, but at a monthly frequency. Differences in methodology and coverage mean the gauge will not exactly mirror the official series. We also produce an underlying ex-housing gauge that adjusts for indirect taxes and tertiary education fees and removes housing group prices.

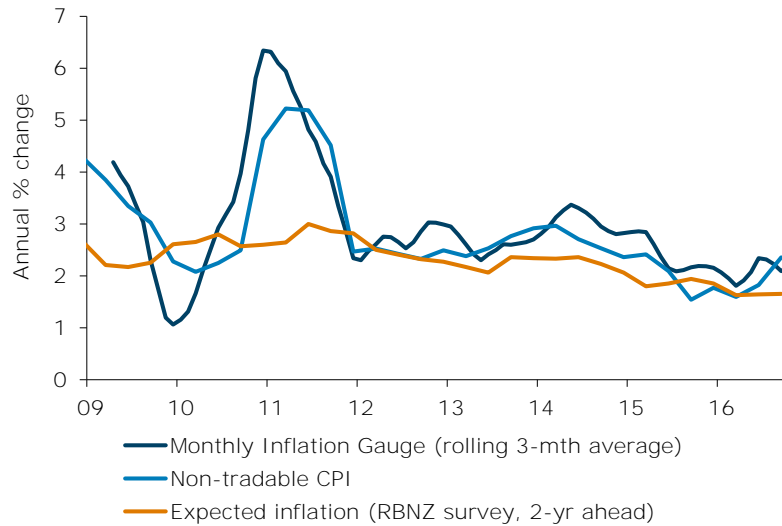
# ANZ MONTHLY INFLATION GAUGE

**FIGURE 1: ANZ MONTHLY INFLATION GAUGE**



Source: ANZ, Statistics NZ

**FIGURE 2: ANNUAL INFLATION MEASURES**



Source: ANZ, Statistics NZ, RBNZ

|        | Monthly Inflation Gauge (Index) | Monthly Inflation Gauge (m/m%) | Implied Inflation Gauge (q/q%) | Actual non-tradable CPI (q/q%) |
|--------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Jul-15 | 1257                            | 0.2                            |                                |                                |
| Aug-15 | 1259                            | 0.2                            |                                |                                |
| Sep-15 | 1261                            | 0.2                            | 0.3                            | 0.0                            |
| Oct-15 | 1262                            | 0.1                            |                                |                                |
| Nov-15 | 1265                            | 0.2                            |                                |                                |
| Dec-15 | 1267                            | 0.2                            | 0.5                            | 0.5                            |
| Jan-16 | 1274                            | 0.6                            |                                |                                |
| Feb-16 | 1278                            | 0.3                            |                                |                                |
| Mar-16 | 1280                            | 0.2                            | 1.0                            | 1.0                            |
| Apr-16 | 1282                            | 0.2                            |                                |                                |
| May-16 | 1283                            | 0.1                            |                                |                                |
| Jun-16 | 1287                            | 0.3                            | 0.5                            | 0.3                            |
| Jul-16 | 1283                            | -0.3                           |                                |                                |
| Aug-16 | 1285                            | 0.1                            |                                |                                |
| Sep-16 | 1288                            | 0.2                            | 0.1                            | 0.5                            |
| Oct-16 | 1291                            | 0.2                            |                                |                                |
| Nov-16 | 1292                            | 0.1                            |                                |                                |

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